

**FAIRFAX COUNTY REDEVELOPMENT
AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
Fairfax, Virginia**

**FINANCIAL STATEMENTS
June 30, 2010**

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Independent Auditor's Report

Board of Supervisors
County of Fairfax, Virginia

Board of Commissioners
Fairfax County Redevelopment
and Housing Authority
Fairfax, Virginia

We have audited the accompanying financial statements of the business-type activities of Fairfax County Redevelopment and Housing Authority (the Authority), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, which represent 100% of the total assets, revenues and net assets of the discretely presented component units as of and for the year ended June 30, 2010. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the one rental property and the discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The component unit financial statements of Castellani Meadows, Gum Springs Glen, Herndon Harbor House, Herndon Harbor House II, Morris Glen, FCRHA HCDC One, FCRHA HCDC Two, Tavenner Lane, Cedar Ridge, and The Green and FCRHA Olley Glen were not audited in accordance with *Government Auditing Standards*. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying information identified in the Table of Contents as supplemental information on pages 39 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Baltimore, Maryland
November 19, 2010

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Introduction

The Fairfax County Redevelopment and Housing Authority (the FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment and revitalization programs within Fairfax County (the County), as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors (the Board) created the Department of Housing and Community Development (HCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County's low and moderate income residents.

The FCRHA's fiscal year (FY) 2010 annual financial report consists of two parts – the management's discussion and analysis (MD&A) and the basic financial statements and notes to those financial statements.

The FCRHA presents this MD&A of its financial performance during the fiscal year ended June 30, 2010, to assist the reader in focusing on significant financial issues and concerns. This year's MD&A presents a comparative analysis of financial data to help the reader ascertain the reasons for changes in assets, liabilities, expenses, revenues, and net asset balances from the previous year.

This MD&A is focused on the activities of the FCRHA's Enterprise Fund as a primary government. The Authority is the managing general partner in 11 real estate limited partnerships. All of the partnerships have calendar year ends. Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component unit column in the combined financial statements are as of and for the respective year ends that fall within the year ended June 30, 2010.

Financial Highlights for FY 2010

The FCRHA's FY 2010 financial highlights included the following:

- Total assets and liabilities of the FCRHA were approximately \$183.7 million and \$54.0 million, respectively; thus total net assets were approximately \$129.6 million at June 30, 2010. Of this amount, approximately \$45.5 million (unrestricted net assets) may be used to meet the FCRHA's future operational needs.
- Total revenues and expenses were approximately \$88.6 million and \$79.2 million, respectively, resulting in an increase in net assets of approximately \$9.4 million during the fiscal year. This increase represents approximately an 88% increase in net assets from June 30, 2009 and was primarily due to increased rental revenues from the acquisition of new properties.
- Cash and cash equivalents increased by approximately \$5.8 million.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

FCRHA Financial Statements

The FCRHA's mission in the County focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, and on assisting in the revitalization of neighborhoods in Fairfax County. The FCRHA, as of June 30, 2010, owned and/or operated a total of 2,997 units of multifamily housing, and 762 units/beds of specialized housing that were leased to low- and moderate-income families and individuals. The specialized housing is comprised of 414 units of independent senior housing, 112 beds of assisted living, 102 beds of supportive housing beds in shelters and group homes, and 134 units of other specialized housing. In addition, the United States Department of Housing and Urban Development (HUD) has granted the FCRHA the authority to lease up to 3,204 vouchers under the federal Housing Choice Voucher program.

In FY 2007, the County's Board of Supervisors set a goal and tasked the FCRHA to preserve 1,000 units of affordable housing by the end of 2007. As of April 5, 2010, a total of 2,388 units had been preserved by the FCRHA and its public and non-profit partners.

In FY 2009, the FCRHA continued to promote the production of Affordable Dwelling Units (ADU) and Workforce Dwelling Units (WDUs). Since the inception of the ADU program in 1991 through August 2009, a total of 3,271 units had been committed by developers under the requirements of the Fairfax County Zoning Ordinance, of which 2,328 units have been constructed and 943 are in the development pipeline. A total of 1,070 WDUs have been committed by developers via approved rezoning actions; as of August 2009, none of these units has yet been constructed. (The WDU policy is a proffer-based incentive system adopted by the Board in September 2007 as a part of the Comprehensive Plan. This policy is designed to foster the construction of housing affordable to moderate-income households in high-rise, high-density projects that are otherwise exempt from the ADU requirement.)

The FCRHA presents its financial results in three basic financial statements – the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The statement of net assets reports all financial and capital resources of the FCRHA and is presented in a format where assets minus liabilities equals net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consist of all capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consist of assets on which constraints are placed by creditors (such as debt covenants), grantors, contributors, laws, or regulations.
- *Unrestricted net assets* consist of net assets that do not meet the definition of net assets that fall in either one of the two categories discussed above – invested in capital assets, net of related debt, or restricted net assets.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

The statement of revenues, expenses, and changes in net assets includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation expense; and non-operating revenues and expenses, such as grant revenue, investment income, interest expense, and gain on disposition of assets. The statement's focus is the change in net assets.

Finally, a statement of cash flows is included, which discloses net cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Summary of Net Assets

The following table presents a summary of FCRHA's net assets as of June 30, 2010 and 2009.

Table 1
Summary of Net Assets
(in millions)

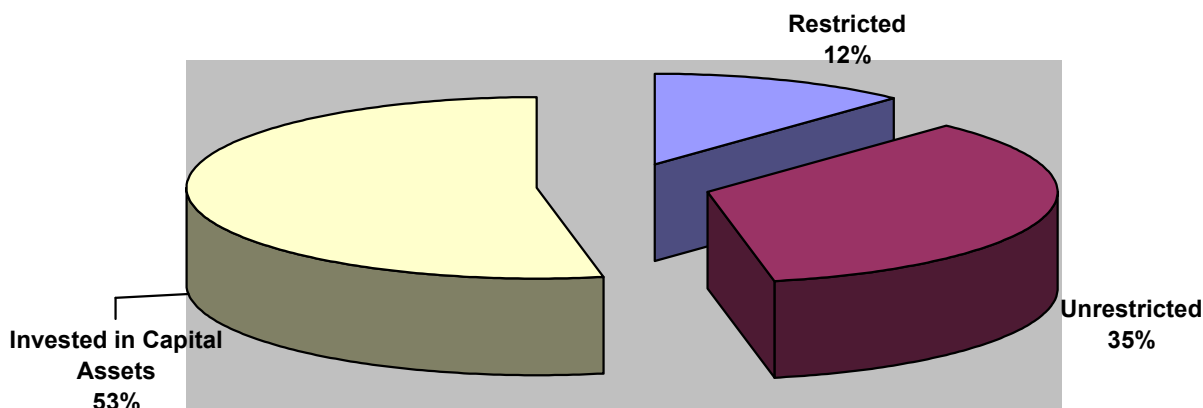
Description	2010	2009	Increase (Decrease)	% Changed
Current and other assets	\$ 98.8	\$ 90.8	\$ 8.0	8.8
Capital assets	84.9	85.6	(0.7)	(0.8)
 Total assets	 183.7	 176.4	 7.3	 4.1
Current liabilities	8.9	8.7	0.2	2.3
Noncurrent liabilities	45.1	47.6	(2.5)	(5.3)
 Total liabilities	 54.0	 56.3	 (2.3)	 (4.1)
Net assets:				
Invested in capital assets, net of related debt	68.3	66.6	1.7	2.6
Restricted	15.8	7.6	8.2	107.9
Unrestricted	45.5	45.9	(0.4)	(0.9)
 Total net assets	 <u>\$ 129.6</u>	 <u>\$ 120.1</u>	 <u>\$ 9.5</u>	 <u>7.9</u>

As of June 30, 2010, the FCRHA's net assets totaled approximately \$129.6 million, an increase of approximately \$9.5 million, or 7.9%, over the net asset balance as of June 30, 2009. This increase was due to certain transactions that affected the FCRHA's asset balances during the year. Current and other assets increased by a net of \$8.0 million, or 8.8% primarily as a result of establishing cash reserves in escrow for the Wedgewood Apartment property.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

The FCRHA's total net assets also consisted of restricted net assets of \$15.8 million and \$7.6 million, and unrestricted net assets of \$45.5 million and \$45.9 million at June 30, 2010 and 2009, respectively. Restricted net assets include cash and investments consisting of restricted deposits and funded reserves for repairs and replacements required by HUD and Virginia Housing Development Authority (the VHDA) guidelines, as well as cash balances in accordance with certain bond indentures. The following pie chart illustrates the relative percentage of the FCRHA's net assets invested in capital assets and the remaining restricted and unrestricted net assets at June 30, 2010.

Composition of FCRHA's Net Assets



Capital Assets and Debt Administration

Capital Assets. The FCRHA capital assets at June 30, 2010 and 2009, included land, buildings and improvements, equipment, and construction in progress, which totaled \$84.9 million and \$85.6 million, respectively, net of accumulated depreciation of approximately \$75.8 million and \$72.3 million at June 30, 2010 and 2009, respectively. For further details see note 4, page 24, Capital Assets.

In addition, component unit capital assets at December 31, 2010 and 2009 included land, buildings and improvements, equipment, and construction in progress, which totaled \$67.1 million and \$58.4 million, respectively.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Short-term and long-term debt. The FCRHA's June 30, 2010 and 2009 statement of net assets includes debt – consisting of housing loans, notes, and bonds payable – of approximately \$46.8 million and \$49.3 million, respectively.

Public bond issues are project specific and have been rated by Standard and Poor's at either "AA" or "AAA" depending upon the collateral securing the debt. The FCRHA also has debt created by direct placement with institutional lenders without the need for a credit rating. For further details, see note 5, page 25, Short-Term and Long-Term Obligations – Loans, Notes and Bonds Payable.

In addition, component unit debt at December 31, 2010 and 2009 consisted of housing loans, notes, and bonds payable of \$68.3 million and \$46.1 million, respectively.

Revenues, Expenses, and Changes in Net Assets

The results of the FCRHA's operations are reported in the statement of revenues, expenses, and changes in net assets. In FY 2010, the FCRHA's enterprise programs realized an increase in net assets of approximately \$9.5 million. Table 2 presents a summary of data from the FCRHA's statement of revenues, expenses, and changes in net assets for FY 2010 and FY 2009 and a comparative analysis of activities in these years.

Table 2
Summary of Revenues, Expenses and Changes in Net Assets
(in millions)

Description	FY 2010	FY 2009	Increase (Decrease)	% Changed
Revenues:				
Operating revenues	\$ 29.3	\$ 28.0	\$ 1.3	4.6
Nonoperating revenues and contributions	<u>59.3</u>	<u>49.6</u>	<u>9.7</u>	<u>19.6</u>
Total revenues	<u>88.6</u>	<u>77.6</u>	<u>11.0</u>	<u>14.2</u>
Expenses:				
Operating expenses	74.7	70.5	4.2	6.0
Nonoperating expenses	<u>4.5</u>	<u>2.1</u>	<u>2.4</u>	<u>114.3</u>
Total expenses	<u>79.2</u>	<u>72.6</u>	<u>6.6</u>	<u>9.1</u>
Changes in net assets	9.4	5.0	4.4	88.0
Total net assets, beginning of year	<u>120.2</u>	<u>115.1</u>	<u>5.1</u>	<u>4.4</u>
Total net assets, end of year	<u><u>\$ 129.6</u></u>	<u><u>\$ 120.1</u></u>	<u><u>\$ 9.5</u></u>	<u><u>7.9</u></u>

The FCRHA's total overall revenues during the year were up by approximately \$11.0 million, or 14.2%. Although operating revenues were up by approximately \$1.3 million, or 4.6% as a result of increased rental revenues associated with new property acquisitions, the majority of the increase occurred in non-operating revenues and contributions, which showed an increase of

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

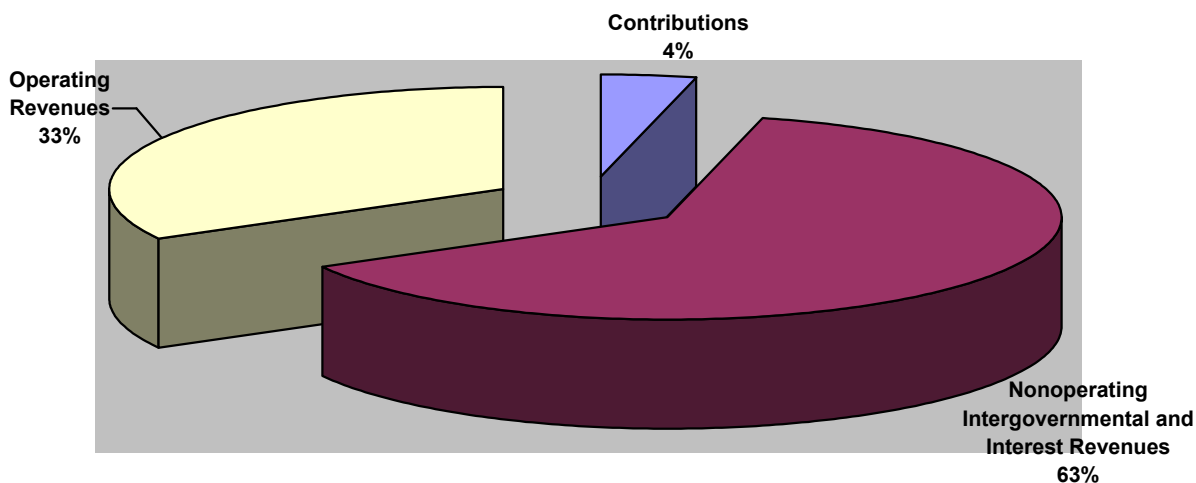
approximately \$9.7 million, or 19.6%. The cause was due primarily to substantial increases in administrative fees and portability revenues that were earned in the Section 8 Housing Choice Voucher Program.

The FCRHA's operating expenses in FY 2010 were up by approximately \$4.2 million, or 6.0%, due primarily to the increase in new properties. In addition, non-operating expenses were up by approximately \$2.4 million, or 114.3%, which was primarily related to grant payments made to the County of Fairfax as a result of applying revenues from the Wedgewood Apartment Property to pay the debt on the property.

Approximately 67.0% of the FCRHA's total revenues in FY 2010 were non-operating revenues, interest revenues, and contributions that were derived from federal grants from HUD, County contributions, and interest. The remaining 33.0% were operating revenues derived from rents and other user charges, and developer and financing fees. The following pie chart illustrates the major sources of these revenues and their relative percent of the total for FY 2010.

FCRHA's Enterprise Programs

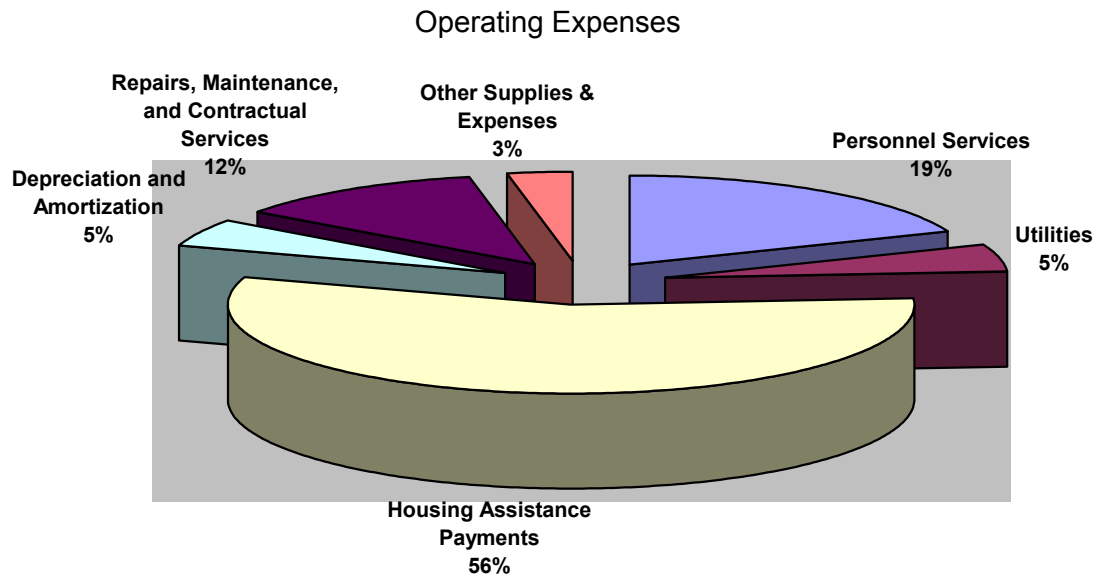
Sources of Funds



In FY 2010, the FCRHA incurred operating expenses in its enterprise programs totaling approximately \$74.7 million. The following pie chart illustrates major operating expense groups and their relative percent of the total.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FCRHA's Enterprise Programs



Contacting FCRHA Management

This financial report is designed to provide the citizens of Fairfax County, taxpayers, customers, investors, and creditors with a general overview of the FCRHA's operations and finances and to demonstrate the FCRHA's accountability for the money it receives. Questions concerning this report, any of the component unit financial reports, or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia 22030.

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF NET ASSETS
June 30, 2010

	Enterprise Fund	Component Units	Total Reporting Entity
ASSETS			
Current assets:			
Cash in bank (note 1)	\$ 9,524,755	\$ 4,878,377	\$ 14,403,132
Cash on deposit with the County of Fairfax, Virginia (note 1)	30,772,931	-	30,772,931
Cash reserves	77,943	-	77,943
Investments (note 2)	4,780,000	-	4,780,000
Restricted cash:	-	-	-
Deposit held in trust	3,295,039	510,119	3,805,158
Accrued interest receivable	150,150	-	150,150
Accounts receivable (net of allowances) (note 3)	1,287,752	270,895	1,558,647
Notes, mortgages, and other receivables (note 3)	372,982	-	372,982
Property held for sale	1,498,646	-	1,498,646
Prepaid items and other assets	3,477,445	19,736	3,497,181
Total current assets	<u>55,237,643</u>	<u>5,679,127</u>	<u>60,916,770</u>
Noncurrent assets:			
Restricted assets:			
Cash reserves	8,771,970	20,839,393	29,611,363
Investments (note 2)	2,035,000	-	2,035,000
Total restricted assets	<u>10,806,970</u>	<u>20,839,393</u>	<u>31,646,363</u>
Other noncurrent assets:			
Notes, mortgages and other receivables (note 3)	32,789,381	-	32,789,381
Prepaid items and other assets	-	-	-
Deferred financing fees (net of accumulated amortization of \$15,941)	13,460	938,058	951,518
Total other noncurrent assets	<u>32,802,841</u>	<u>938,058</u>	<u>33,740,899</u>
Capital assets (note 4):			
Nondepreciable:			
Land	30,444,783	8,755,354	39,200,137
Construction in progress	879,547	10,969,345	11,848,892
Depreciable:			
Buildings and improvements	128,722,654	72,172,344	200,894,998
Equipment	572,658	998,021	1,570,679
Accumulated depreciation	<u>(75,765,369)</u>	<u>(25,799,153)</u>	<u>(101,564,522)</u>
Total capital assets, net	<u>84,854,273</u>	<u>67,095,911</u>	<u>151,950,184</u>
Total noncurrent assets	<u>128,464,084</u>	<u>88,873,362</u>	<u>217,337,446</u>
Total assets	<u>183,701,727</u>	<u>94,552,489</u>	<u>278,254,216</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,988,813	1,903,856	3,892,669
Accrued salaries and benefits	638,792	-	638,792
Due to the County of Fairfax, Virginia	193,064	6,012,432	6,205,496
Deposits held in trust	1,496,990	468,234	1,965,224
Deferred revenue	1,794,176	77,704	1,871,880
Accrued compensated absences (note 6)	524,735	-	524,735
Loans, notes, and bonds payable (note 5)	<u>2,280,437</u>	<u>986,727</u>	<u>3,267,164</u>
Total current liabilities	<u>8,917,007</u>	<u>9,448,953</u>	<u>18,365,960</u>
Noncurrent liabilities:			
Accrued compensated absences (note 6)	611,179	-	611,179
Loans, notes, and bonds payable (note 5)	44,540,586	67,361,822	111,902,408
Other accrued long-term interest	-	3,549,619	3,549,619
Total noncurrent liabilities	<u>45,151,765</u>	<u>70,911,441</u>	<u>116,063,206</u>
Total liabilities	<u>54,068,772</u>	<u>80,360,394</u>	<u>134,429,166</u>
NET ASSETS			
Invested in capital assets, net of related debt	68,320,185	(1,252,638)	67,067,547
Restricted	15,821,739	20,881,278	36,703,017
Unrestricted (deficit)	<u>45,491,031</u>	<u>(5,436,545)</u>	<u>40,054,486</u>
TOTAL NET ASSETS	<u>\$ 129,632,955</u>	<u>\$ 14,192,095</u>	<u>\$ 143,825,050</u>

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	Enterprise Fund	Component Units	Total Reporting Entity
OPERATING REVENUES			
Dwelling rentals	\$ 25,230,481	\$ 8,163,808	\$ 33,394,289
Other	<u>4,107,867</u>	<u>1,178,943</u>	<u>5,286,810</u>
Total operating revenues	<u>29,338,348</u>	<u>9,342,751</u>	<u>38,681,099</u>
OPERATING EXPENSES			
Personnel services	14,000,998	1,941,857	15,942,855
Contractual services	1,527,833	121,527	1,649,360
Utilities	3,371,948	1,166,220	4,538,168
Repairs and maintenance	8,625,912	1,973,076	10,598,988
Other supplies and expenses	2,225,857	2,243,898	4,469,755
Housing Assistance Payments (HAP)	41,276,285	-	41,276,285
Depreciation and amortization	<u>3,692,625</u>	<u>2,330,687</u>	<u>6,023,312</u>
Total operating expenses	<u>74,721,458</u>	<u>9,777,265</u>	<u>84,498,723</u>
Operating loss	<u>(45,383,110)</u>	<u>(434,514)</u>	<u>(45,817,624)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	55,076,509	235,427	55,311,936
Interest revenue	339,346	15,740	355,086
Interest expense	(992,419)	(1,984,783)	(2,977,202)
Loss on disposition of assets	(170,627)	-	(170,627)
Grant to Fairfax County	<u>(3,400,000)</u>	<u>-</u>	<u>(3,400,000)</u>
Total nonoperating revenues (expenses), net	<u>50,852,809</u>	<u>(1,733,616)</u>	<u>49,119,193</u>
Income (loss) before contributions	<u>5,469,699</u>	<u>(2,168,130)</u>	<u>3,301,569</u>
CONTRIBUTIONS			
Investor capital contributions	-	200	200
HUD debt service contributions	750,172	-	750,172
HUD capital contributions	<u>3,225,128</u>	<u>-</u>	<u>3,225,128</u>
Total contributions	<u>3,975,300</u>	<u>200</u>	<u>3,975,500</u>
CHANGE IN NET ASSETS	9,444,999	(2,167,930)	7,277,069
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>120,187,956</u>	<u>16,360,025</u>	<u>136,547,981</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 129,632,955</u>	<u>\$ 14,192,095</u>	<u>\$ 143,825,050</u>

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

	Enterprise Fund	Component Units	Total Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 24,135,683	\$ 8,160,737	\$ 32,296,420
Other operating cash receipts	2,773,028	1,208,800	3,981,828
Purchase of property held for sale	(4,883,638)	-	(4,883,638)
Receipts from sale of property held for sale	5,172,877	-	5,172,877
Payments to employees for services	(13,965,602)	(1,941,857)	(15,907,459)
Housing assistance payments	(41,494,125)	-	(41,494,125)
Payments to suppliers for goods and services	(14,962,447)	(1,639,522)	(16,601,969)
Net cash provided by (used in) operating activities	(43,224,224)	5,788,158	(37,436,066)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Retirement of loans, notes and bond payables	(191,650)	-	(191,650)
Receipts (payments) on behalf of Fairfax County	(470,024)	-	(470,024)
Intergovernmental revenues received	55,977,729	235,427	56,213,156
Grant to Fairfax County	(3,400,000)	-	(3,400,000)
Net cash provided by noncapital financing activities	51,916,055	235,427	52,151,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(3,734,181)	(10,969,344)	(14,703,525)
Investor capital contributions	-	200	200
Proceeds from issuance of debt	868,330	23,235,208	24,103,538
Interest paid	(993,303)	(1,122,079)	(2,115,382)
Debt principal paid	(3,226,706)	(962,589)	(4,189,295)
HUD debt service and capital contributions	3,975,300	-	3,975,300
Proceeds from sale of capital assets	593,329	-	593,329
Net cash provided by (used in) capital and related financing activities	(2,517,231)	10,181,396	7,664,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of loan and advance repayments	1,105,654	-	1,105,654
Acquisition of investments	(1,859,000)	-	(1,859,000)
Interest and gain received on investments	365,007	15,740	380,747
Net cash provided by (used in) investing activities	(388,339)	15,740	(372,599)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,786,261	16,220,721	22,006,982
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	46,656,377	10,007,168	56,663,545
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 52,442,638	\$ 26,227,889	\$ 78,670,527
RECONCILIATION TO STATEMENT OF NET ASSETS			
Cash in bank	\$ 9,524,755	\$ 4,878,377	\$ 14,403,132
Cash on deposit with the County of Fairfax, Virginia	30,772,931	-	30,772,931
Cash deposits held in trust	3,295,039	510,119	3,805,158
Cash reserves	8,849,913	20,839,393	29,689,306
CASH AND CASH EQUIVALENTS	\$ 52,442,638	\$ 26,227,889	\$ 78,670,527
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating loss	\$ (45,383,110)	\$ (434,514)	\$ (45,817,624)
Depreciation and amortization	3,692,625	2,330,687	6,023,312
Effects of changes in operating assets and liabilities:			
Accounts receivable	(3,144,624)	807	(3,143,817)
Prepaid items and other assets	207,055	120,694	327,749
Accounts payable and accrued liabilities	534,580	3,744,505	4,279,085
Accrued salaries and wages	58,353	-	58,353
Deposits held in trust	(105,379)	29,857	(75,522)
Deferred revenue	916,276	(3,878)	912,398
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (43,224,224)	\$ 5,788,158	\$ (37,436,066)

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Profile

These financial statements include the activities of the Fairfax County Redevelopment and Housing Authority (the Authority or FCRHA). The Authority administers various housing and community development programs within the County of Fairfax, Virginia (the County). The Authority is a political subdivision of the Commonwealth of Virginia created pursuant to Chapter 1 of Title 36 of the Code of Virginia of 1950, as amended, by resolution of the Board of Supervisors of Fairfax County and approved in a referendum of voters in the County on November 2, 1965. On February 23, 1966, the Board of Supervisors declared the Authority activated. The powers, duties, and responsibilities of the Authority are set forth in Title 36 of the Code of Virginia of 1950, as amended. The Authority is a component unit of the County.

The accounting policies of the Authority conform to U.S. generally accepted accounting principles (GAAP) as applicable to proprietary funds of governmental units. The following is a summary of the Authority's more significant accounting policies.

Reporting Entity

As required by GAAP, the accompanying financial statements present the financial position and result of operations of the Authority (the primary government) and its component units. The financial results of the component units are included in the Authority's basic financial statements because of the significance of their operational or financial relationships with the Authority. The Authority and its component units are together referred to as the Reporting Entity.

Blended Component Unit

The Authority is the general partner of one real estate partnership (Little River Glen) that is considered a component unit of the Authority for the same reasons discussed in the following paragraph. However, because the Authority is not only the general partner, but also controls the limited partnership interests, it is considered a blended component unit. The blended component unit has a June 30 fiscal year-end.

Discretely Presented Component Units

Additionally, the Authority is also the general partner in eleven other real estate limited partnerships (Fairfax County Redevelopment and Housing Authority/HCDC One, L.P., Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P., Herndon Harbor House I L.P., Herndon Harbor House II L.P., Tavenner Lane, L.P., Castellani Meadows L.P., The Green L.P., Morris Glen L.P., Gum Springs Glen L.P., Cedar Ridge, L.P., and FCRHA Olley Glen, L.P.). However, the limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits up to a maximum limit per partnership, in accordance with the terms of the partnership agreements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All discretely presented component units have a December 31 calendar year-end. Accordingly, the amounts included for each component unit are as of and for the year-end that falls within the year ended June 30, 2010.

Basis of Presentation

The accounts of the Authority are presented in single proprietary fund financial statements consisting of various programs. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. The operations of the Authority are accounted for in the three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. These statements report information on all activities of the Authority and its component units. Likewise, the Authority is reported separately from legally separate component units for which the Authority is financially accountable.

The Authority's activities include the following programs:

The following two programs include programs provided by the County through its Department of Housing and Community Development (HCD). The HCD was established by the Board of Supervisors on December 12, 1973, to assume the administrative functions of the Authority and to function as the County's agency for administration of all housing and community development programs. In this action, the Board of Supervisors also established that the County Executive would be the Executive Director and the Secretary of the Authority.

- *Elderly Housing Programs* are used to account for the affordable rental housing owned by the Authority and occupied by the elderly.
- *Homeowners and Business Loan Program* is used to account for funds used to assist low and moderate income families to become homeowners in the County or to improve their current living space through repair or rehabilitation. It is also used to account for the operation of small and minority business loan programs that are funded by the federal government.

The Authority's other programs, described below, are financed primarily by federal grants from the U.S. Department of Housing and Urban Development (HUD), rents, and other user charges resulting from the operations of subsidized housing, development and financing fees, investment income, and loan proceeds. These funds provide rental housing, housing for the elderly/group homes, loans for home ownership and home improvement, tenant rental assistance, community development, and the development and administration of these programs. A description of each of these programs follows:

- *Public Housing Program* is used to account for operating and capital costs of rental housing owned and operated by the Authority and subsidized by the HUD public housing program. Other funding sources include rental income and other user charges.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

- *Housing Choice Voucher Program* is a federal housing assistance program for lower income families seeking housing in the private market place. HUD provides funds to pay a portion of the family's rent.
- *Operating Program* is used to account for projects and for real property that is not accounted for in other Authority programs. The primary source of revenue is financing fees earned from the issuance of bonds, monitoring and service fees charged to developers.
- *Revolving Development Program* is used to provide funds for initial project costs, such as new site investigations, architectural and engineering plans, studies, and fees. This funding ensures that adequate plans and proposals are completed prior to application for project financing from federal, state, or private sources. These initial costs are anticipated to be recovered from permanent project financing.
- *Private Finance Program* is used to budget and report costs for capital projects that are supported wholly or partially by funds borrowed by the Authority or through the Authority's sale of notes or bonds. Housing development and improvement projects may be financed with funds borrowed from private lenders, the Virginia Housing Development Authority (VHDA), or the federal government.
- *Rehabilitation Loan Program* is used to account for the Authority's portion of the funding for the Home Improvement Loan Program (HILP). The HILP provides financial and technical assistance to low- and moderate-income homeowners for rehabilitation of their properties. Funding for this program has been provided by the federal Community Development Block Grant (CDBG), County appropriation and commercial banks.
- *Fairfax County Rental Program* (FCRP) is used to provide affordable rental housing (other than federal public housing) in the County for low- and moderate-income families.
- *Grant Program* is used to account for the HUD Resident Opportunities and Self Sufficiency grant.

Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority adheres to all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989, unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB).

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are rental charges and other charges related to the use of property. The Authority also recognizes as operating revenues management and development fees, excess utility charges, and other tenant charges. Operating expenses include personnel services, contractual services, administrative expenses, utility expenses, ordinary repair and maintenance expenses, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as either non-operating revenues or expenses or contributions.

Cash and Temporary Investments

Cash in Bank is maintained by the County's Investment and Cash Management Division (ICM) in a separate bank account in order to comply with the provisions of bond indentures. Cash on Deposit with the County of Fairfax, Virginia, is also maintained by ICM in a single pooled account. Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. Cash Reserves primarily consist of restricted deposits and funded reserves for repairs and replacements required to be maintained under HUD and VHDA guidelines, as well as cash balances in accordance with certain bond indentures. All of the primary government's cash deposits are covered by federal depository insurance and have been fully insured or collateralized. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair values. The County allocates, on a monthly basis, any temporary investment earnings, less an administrative charge, based on the Authority's average balance pooled cash and temporary investments.

Investments

The Authority maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state and other legal requirements and attainment of a market rate of return. Oversight of the investment activity is the responsibility of the Investment Committee, which is comprised of the Deputy Directors, HCD, Director of Financial Management Division (FMD), Director of Real Estate Finance and Grants Management Division (REFGM), Associate Director, REFGM and Fiscal Administrators, FMD.

Authorized investments for public funds are set forth in the "Investment of Public Funds Act" of the Code of Virginia. Within the permitted statutory framework, the Authority limits the investment of assets to the Money Market Accounts, Certificates of Deposit and U.S. Treasury Securities. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair value.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

This investment policy applies to all financial assets of the Authority, all General Obligation bond funds, all funds deposited in the Authority's bank accounts, and the County's pooled cash. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. All Authority investments are held by the financial institution's trust department in its name and are collateralized by United States Government securities.

Cash and Cash Equivalents

For purposes of preparing the statement of cash flows, cash and cash equivalents include unrestricted cash in bank, cash on deposit with the County of Fairfax, Virginia, deposits held in trust and restricted cash reserves. In addition, only the changes in the operating portion of assets and liabilities are accounted for in this statement's reconciliation of operating income (loss) to net cash provided by (used in) operating activities.

Interest Rate Risk

The Authority's policy is to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

Credit Risk

The Authority's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The Authority limits its investments to the safest types of securities.

Concentration of Credit Risk

The Authority's investment policy limits the investment of assets to Money Market Accounts, Certificates of Deposit, and U.S. Treasury Securities.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Authority may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Authority's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and

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NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial Credit Risk (continued)

public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

As of June 30, 2010, the Authority had one account with a financial institution that was not classified as a public fund account and therefore was not sufficiently collateralized to cover the Authority's deposits in this account. The Authority's bank balances at this one financial institution was \$426,451, and \$176,451 was exposed to custodial credit risk.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the investments purchased by the Authority are insured or registered or are securities held by the Authority or its agent in the Authority's name.

Foreign Currency Risk

Per the Authority's policy, investments are limited to U.S. dollar denominated instruments.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight line method. The estimated useful lives range from 5 to 27½ years. With respect to the Capital Grant program, the Authority capitalizes assets in accordance with HUD guidance.

Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employees however, it is converted to years of service upon retirement. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited. The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at June 30.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Authority has entered into Annual Contributions Contracts with HUD to develop, manage, and own public housing projects and to administer the Housing Choice Voucher Program, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes annual debt service contributions and monthly operating subsidy contributions within the Public Housing Program and monthly contributions for housing assistance payments and administration fees for the Housing Choice Voucher Program. In addition, the County makes annual contributions to various programs (e.g., Elderly Housing program) to support operational costs. Such contributions are reflected as intergovernmental revenue in the accompanying financial statements. Other intergovernmental revenues are reported under the legal contractual requirements of the individual programs.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Authority has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue. Effective in FY 2006, HUD mandated that authorities who administer the Housing Choice Voucher (HCV) program should recognize revenue for Housing Assistance Payments (HAP) based on the current year's budget received, rather than the methodology used in previous years of recognizing revenue based on expenditures incurred.

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The allowance method is used to recognize bad debts.

Property Held for Sale

Property held for sale are First-Time Homebuyers (FTHB) program properties the Authority purchased for the purpose of resale to first-time homebuyers. The FTHB is designed to provide affordable homeownership opportunities for low- to moderate-income families who otherwise could not afford to purchase a home, and includes the Moderate Income Direct Sales Program, the Affordable Dwelling Unit Program, the First-Time Homebuyer Direct Sales Program and the Founders Ridge Program.

Applicants in the FTHB Program are required to participate in homeownership education classes, obtain a pre-conditional approval from a lender, and meet other program eligibility criteria to participate in drawings to receive the opportunity to purchase these homes.

The repurchased properties generally undergo minor repairs and are put on the market for resale to first-time homebuyers within a year. New 30-year covenants are recorded on the properties at the time of resale to maintain affordable housing resources in Fairfax County for future residents.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes, Mortgages, and Other Receivables

Notes, mortgages, and other receivables are carried at amounts advanced, net of a reserve for uncollectible accounts, if any.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets and Net Assets

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for capital use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. In regard to operating reserves, it is the Authority's policy to use unrestricted resources first, and then restricted resources. In accordance with requirements of HUD and VHDA, the Authority is required to maintain certain restricted deposits and funded reserves for repairs and replacements.

Net assets are displayed in three components:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of net assets consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: This component of net assets consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt" or "Restricted Net Assets."

Implementation of New GASB Pronouncements

In fiscal year 2010, the Authority implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible assets*; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of these new standards had no impact on the Authority's fiscal year 2010 financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 – INVESTMENTS

As of June 30, 2010, the Authority had the following investment type:

	Fair Value	Weighted Average Maturity (Days)
Investment type:		
Federal Home Loan Bank Discount Notes	\$ 6,815,000	147.18
Total fair value	<u>\$ 6,815,000</u>	
Portfolio weighted average maturity		<u>147.18</u>

Weighted Average Maturity days have been increased to 147.18 days from 100.04 days for FY 2010 and FY 2009, respectively. The Authority has extended the maturity on its investments to offset the effects of lower interest rates being earned on short-term investments.

NOTE 3 – RECEIVABLES

Accounts Receivable

Accounts receivable at June 30, 2010, consisted of the following:

Tenant receivable (net of allowance of \$157,964)	\$ 305,934
Landlord and HCV tenant receivables	271,510
Due from the County of Fairfax, Virginia	165,951
Due from U.S. Department of Housing and Urban Development	304,480
Due from other governments (Section 8 portability)	220,828
Admin and tenant services fees due from component units	<u>19,049</u>
Total	<u>\$ 1,287,752</u>

Notes Receivable

Notes receivable at June 30, 2010, consisted of the following:

Lake Ann of Reston	Unsecured notes, bearing interest at 3.73% to 7.90%, maturing July 1, 2015, principal and interest payments of \$28,400 due annually.	\$ 51,717
Herndon Harbor House I	Secured note bearing interest at 6.35%, maturing July 1, 2027, interest and principal payments of \$6,383 due monthly.	797,351
Herndon Harbor House II	Secured note bearing interest at 6%, maturing April 1, 2029, interest and principal payments of \$12,480 due monthly.	1,683,353
Castellani Meadows	Secured note bearing interest at 6.15%, maturing March 1, 2028, interest and principal payments of \$5,542 due monthly.	715,516

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – RECEIVABLES (CONTINUED)

Notes Receivable (continued)

Cedar Ridge LP	Secured note bearing interest at 5.01%, maturing October 1, 2048, principal interest deferred until January 1, 2022. Until this date, interest will compound and be added to the outstanding principal balance of the loan annually.	\$ 741,556
Homeowners' and Business Loan Program	Unsecured and secured notes with varying interest rates and repayment terms, net of allowance for uncollectible notes of \$1,804,568.	1,804,307
Cedar Ridge LP	Secured note bearing interest at 5.984%, maturing October 1, 2048, interest and principal payments beginning December 1, 2008 of \$72,481 are due monthly.	13,040,274
FCRHA Olley Glen LP.	Secured note bearing interest at 6.4%, maturing August 1, 2051. Interest only payments through July 1, 2011. Beginning August 1, 2011, interest and principal payments of \$28,455 are due monthly. The amortized payment is based on the outstanding principal balance after a pay down of \$7.3 million, which is scheduled to be made on August 1, 2011.	12,220,000
FCRHA Olley Glen LP.	Secured note bearing interest at 5% beginning on August 1, 2011 (zero percent until that date) and maturing August 1, 2051. Beginning May 1, 2012, interest and principal payments of \$118,620 are due annually. Payment will be based on net cash flow and any amount not paid will be deferred and either paid with the next installment or deferred until sufficient net cash flow allows for payment or until maturity.	<u>2,050,000</u>
Total		33,104,074
Less current notes		<u>360,248</u>
Noncurrent notes receivable		<u>\$ 32,743,826</u>

Mortgages Receivable

Under the Authority's Home Improvement Loan Program, qualified County residents who are unable to obtain financing from commercial sources may be loaned funds by the Authority. At June 30, 2010, long-term home improvement loans receivable under this program were \$26,440 bearing interest at varying rates up to 3%.

Other Receivables

Under the Authority's Revolving Development Program, the Authority provides advances to other projects to fund start-up costs. At June 30, 2010, advances receivable consisted of \$27,206, of which \$8,091 is due within the next year.

The Authority provides advances for certain payroll and contract services expense to certain tax credit limited partnership properties. At June 30, 2010, short term advances receivable amounted to \$4,643.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – CAPITAL ASSETS

The enterprise fund's capital asset activity for the year ended June 30, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 31,064,477	\$ 75,570	\$ (695,264)	\$ 30,444,783
Construction-in-progress	<u>5,479,028</u>	<u>3,261,963</u>	<u>(7,861,444)</u>	<u>879,547</u>
Total capital assets, non-depreciable	<u>36,543,505</u>	<u>3,337,533</u>	<u>(8,556,708)</u>	<u>31,324,330</u>
Capital assets, depreciable:				
Buildings and improvements	120,809,295	8,241,905	(328,546)	128,722,654
Equipment	<u>556,470</u>	<u>16,188</u>	<u>-</u>	<u>572,658</u>
Total capital assets, depreciable	<u>121,365,765</u>	<u>8,258,093</u>	<u>(328,546)</u>	<u>129,295,312</u>
Less accumulated depreciation for:				
Buildings and improvements	(71,841,468)	(3,671,543)	259,854	(75,253,157)
Equipment	<u>(491,130)</u>	<u>(21,082)</u>	<u>-</u>	<u>(512,212)</u>
Total accumulated depreciation	<u>(72,332,598)</u>	<u>(3,692,625)</u>	<u>259,854</u>	<u>(75,765,369)</u>
Total depreciable capital assets, net	<u>49,033,167</u>			<u>53,529,943</u>
Total enterprise fund capital assets, net	<u>\$ 85,576,672</u>			<u>\$ 84,854,273</u>

The component units capital asset activity for the year ended December 31, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 8,764,242	\$ -	\$ (8,888)	\$ 8,755,354
Construction-in-progress	<u>-</u>	<u>10,969,345</u>	<u>-</u>	<u>10,969,345</u>
Total capital assets, non-depreciable	<u>8,764,242</u>	<u>10,969,345</u>	<u>(8,888)</u>	<u>19,724,699</u>
Capital assets, depreciable:				
Buildings and improvements	72,233,928	-	(61,584)	72,172,344
Equipment	<u>927,550</u>	<u>70,471</u>	<u>-</u>	<u>998,021</u>
Total capital assets, depreciable	<u>73,161,478</u>	<u>70,471</u>	<u>(61,584)</u>	<u>73,170,365</u>
Less accumulated depreciation for:				
Buildings and equipment	<u>(23,517,065)</u>	<u>(2,282,088)</u>	<u>-</u>	<u>(25,799,153)</u>
Total accumulated depreciation	<u>(23,517,065)</u>	<u>(2,282,088)</u>	<u>-</u>	<u>(25,799,153)</u>
Total depreciable capital assets, net	<u>49,644,413</u>			<u>47,371,212</u>
Total component units capital assets, net	<u>\$ 58,408,655</u>			<u>\$ 67,095,911</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE

Public Housing Loans

Public housing project debt is comprised of the following at June 30, 2010:

	<u>Principal</u>	<u>Interest</u>
Public housing notes – Federal Financing Bank	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>

In Fiscal Year 2010, the outstanding balances on Public Housing Notes reflected in prior years were written off, as directed by HUD. The guidance used to support this action was taken directly from HUD guidelines and is quoted as follows:

“Federal Financing Bank Permanent Notes are HUD-Guaranteed (Third Party) debt on the PHA’s books. Under HUD accounting guidelines, PHAs were required to record HUD-guaranteed debt and the related accrued interest liability and expense on their financial statement. With the transition to the GAAP basis of accounting, PHAs who used the Enterprise model should remove (write off) the debt from their books and reclassify it as contributed capital (Net Asset). Reference HUD PHA GAAP Flyer, Volume 1, Issue 4.”

Therefore, there will be no presentation of any short-term obligations related to Public Housing loans beginning with this fiscal year.

Long-Term Debt – Component Units

The long-term debt of the component units are primarily non-recourse debt of each of the limited partnerships, which is collateralized by the land, buildings, and equipment of each limited partnership and having varying repayment terms and interest rates ranging from 1.00% to 9.25%.

Notes Payable

Notes payable consist of the following at June 30, 2010:

<u>Note Holder(s)</u>	<u>Terms</u>	<u>Outstanding Balance</u>
U.S. Dept. of Housing and Urban Development	Secured by Hopkins Glen rental property, bearing interest at 3%, maturing April 2010, principal and interest payments of \$4,073 monthly. Balance paid off in FY 2010.	\$ -
Bank of America	Secured by McLean Hills and Springfield Green rental properties, bearing interest at 4.54%, maturing April 1, 2015, principal and interest payments of \$7,306 monthly.	379,837
Virginia Housing Development Authority	Secured by Minerva Fisher-Hall Group Home property, bearing interest at 8.07%, maturing June 1, 2019, principal and interest payments of \$3,063 monthly.	233,916

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS
PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Outstanding Balance
SunTrust Bank	Secured by the United Community Ministries (UCM) office building, bearing interest at 4.71%, maturing April 1, 2013, principal and interest payments of \$3,164 monthly.	\$ 100,572
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 6.45% to 9.15%, maturing at varying dates through August 1, 2011, variable principal and interest payments due semiannually.	560,000
Virginia Housing Development Authority	Secured by Penderbrook rental property, bearing interest at 7.17%, maturing October 1, 2018, principal and interest payments of \$5,874 monthly.	441,241
The City of Fairfax	Unsecured funds provided by the City of Fairfax to the FCRHA for the purpose of making Home Improvement Loans (HILP) to City of Fairfax residences. These funds are only paid back to the City of Fairfax when the program is terminated.	47,221
United Bank	Secured by Faircrest North rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of \$3,056 monthly.	431,231
United Bank	Secured by Laurel Hill rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of \$3,056 monthly.	431,231
United Bank	Secured by the Courts of Westcott Ridge rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of \$4,023 monthly.	567,705
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of \$943 monthly.	133,061
United Bank	Secured by Legato Corner rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of \$5,472 monthly.	772,130
United Bank	Secured by Willow Oaks rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of \$3,345 monthly.	472,039
SunTrust Bank	Secured by a first deed of trust on Creighton Square Property a.k.a. Mondloch House and an assignment of all rents and lease payments related to the Project, bearing interest at 7.10%, maturing July 1, 2012, principal and interest payments of \$5,417 monthly.	125,533

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS
PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Outstanding Balance
Bank of America	Unsecured taxable line of credit up to \$5,000,000 to provide interim financing for projects under development, bearing interest at the 30-day LIBOR rate, plus 50 basis points, maturing December 31, 2010. The 30-day LIBOR rate was 0.85% at June 30, 2010.	\$ 445,000
SunTrust Bank	Secured by the LeLand Road Group Home property, bearing interest at 5.5%, maturing April 1, 2017, principal and interest payments of \$4,581 monthly.	312,066
Virginia Housing Development Authority	Secured by the West Ox Group Home Property, bearing interest at 8%, maturing October 1, 2022, principal and interest payments of \$6,176 monthly. Balance paid off in FY 2010. The property was transferred to the County.	-
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 3.73% to 7.90%, maturing at varying dates through August 1, 2013, variable principal and interest payments due semiannually.	460,000
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 4.15% to 7.18%, maturing at varying dates through August 1, 2013, variable principal and interest payments due semiannually.	825,000
United Bank	Secured by the One University Plaza office and maintenance building, bearing interest at 5%, maturing February 1, 2014, principal and interest payments of \$2,827 monthly.	113,426
Virginia Housing Development Authority	Secured by the First Stop Group Home property, bearing interest at 7.61%, maturing March 1, 2025, principal and interest payments of \$3,234 monthly.	343,320
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 5.36% to 7.66%, maturing at varying dates through August 1, 2015, variable principal and interest payments due semiannually.	150,000
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 5.36% to 7.66%, maturing at varying dates through August 1, 2011, variable principal and interest payments due semiannually.	10,000
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 1.21% to 5.39%, maturing at varying dates through August 1, 2017, variable principal and interest payments due semiannually.	288,000

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS
PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Outstanding Balance
SunTrust Bank	Secured by Hopkins Glen rental property, bearing interest at 4.33%, maturing October 1, 2016, principal and interest payments due monthly.	\$ 405,400
Federal Financing Bank	Unsecured note bearing interest at 6.6%, interest and principal payments in the amount of \$83,856, due annually, maturing November 1, 2012. Debt service on the note (principal and interest) is paid annually by HUD under Annual Contributions Contract P-184. Balance was written off in FY 2010. See note 5.	-
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of \$619 monthly.	89,696
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of \$1,130 monthly.	163,667
United Bank	Secured by Fair Oaks rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of \$1,857 monthly.	269,051
United Bank	Secured by Bryson at Woodland Park rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of \$2,033 monthly.	294,530
United Bank	Secured by Stockwell rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of \$1,680 monthly with a balloon payment of \$150,841 due with final payment.	252,766
United Bank	Secured by Northampton rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of \$2,318 monthly with a balloon payment of \$208,197 due with final payment.	348,881
United Bank	Secured by Halstead I rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of \$875 monthly with a balloon payment of \$78,576 due with final payment.	131,157
United Bank	Secured by Halstead II rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of \$806 monthly with a balloon payment of \$72,409 due with final payment.	121,852

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Outstanding Balance
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by property owned by the FCRHA Olley Glen, L.P. and bearing variable interest rates, initially on Libor plus 20 basis points. Loan is composed of two draws; draw one requires annual principal payments in addition to interest payments; draw two requires interest only payments through August 2011, and then the outstanding principal amount will be amortized over an eighteen-year period.	\$ 1,950,000
Total		<u>\$ 11,669,529</u>

Bonds Payable

Bonds payable consist of the following at June 30, 2010:

	Outstanding Balance
On August 29, 1996, on behalf of the Little River Glen project, the Authority issued Federal Housing Authority insured mortgage revenue bonds with an original principal amount of \$6,340,000, and interest rates, which vary between 4.65% and 6.10%, with final payment due September 1, 2026, to advance refund the Elderly Bonds, Series 1989A, with an original principal amount of \$6,120,000 and interest rate of 8.95%. The land, buildings, and equipment of the Little River Glen project are pledged as security for the bonds. The old bonds were fully redeemed in fiscal year 1999.	\$ 4,825,000
In June 1998, the Authority issued Series 1998 Lease Revenue bonds with an original principal amount of \$3,630,000 and an interest rate of 4.71%, with final payment due June 15, 2018, to advance refund certain previously issued special limited obligation bonds. The new bonds are secured by the Authority's interest in payments under a lease agreement between the Authority and the County, whereby the Authority leases its Pender Drive Office building to the County, and a first deed of trust on the office building. Proceeds from the new bonds, along with other cash sources totaling approximately \$4,000,000 were placed in irrevocable escrow accounts to provide for all future debt service payments on the old bonds, which were fully redeemed in 2003.	1,870,000
In August 1997, on behalf of Herndon Harbor House I Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling \$2,875,000 and interest rate of 6.35% with final payment due July 1, 2027. The land, building, and equipment of the Herndon Harbor House I Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House I Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	797,351
In May 1999, on behalf of Herndon Harbor House II Limited Partnership, the Authority issued Series 1999A Multifamily Housing Revenue Bonds with a principal amount totaling \$2,000,000. The Series A, 1999 term bonds have an original principal amount of \$225,000 with an interest rate of 4.875% with final payment due May 1, 2009. The Series A, 1999 term bond has an original principal payment amount of \$1,775,000 with an interest rate of 6% with final payment due May 1, 2029. The land, building, and equipment of the Herndon Harbor House II Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House II Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	1,683,353

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable (continued)

	<u>Outstanding Balance</u>
In April 1998, on behalf of Castellani Meadows Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling \$1,700,000 and an interest rate of 5.25% with final payment due March 1, 2028. Prior to March 1, 2001, a principal payment in the amount of \$825,000 was due, at which time the interest rate changed to 6.15% per annum. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	\$ 715,516
In March 2007, on behalf of Cedar Ridge Limited Partnership, the Authority issued a tax-exempt multi-family housing revenue bond with a principal amount totaling \$13,200,000 and an interest rate of 5.984% with final payment due October 1, 2048. Interest only is payable monthly through November 1, 2008. Beginning on December 1, 2008, monthly payments of principal and interest of \$72,481 are payable until the maturity date of the note. The note is collateralized by a first deed of trust on the rental property of the Cedar Ridge Limited Partnership. Proceeds from the bonds were loaned to the Cedar Ridge Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	13,040,274
In August 2008, on behalf of the FCRHA Olley Glen Limited Partnership, the Authority issued a tax-exempt multi-family housing revenue bond with a principal amount totaling \$12,220,000 and an average coupon rate of 5.37% with final payment due August 1, 2051. Interest only is payable monthly through July 1, 2011. Beginning August 1, 2011, monthly payments of principal and interest of \$28,455 are payable until the maturity date of the note. The note is collateralized by a first deed of trust on the senior rental property of the FCRHA Olley Glen Limited Partnership. Proceeds from the bonds were loaned to the FCRHA Olley Glen Limited Partnership to finance a portion of the cost for acquisition, construction, and equipping of the senior facility.	<u>12,220,000</u>
Total	<u><u>\$ 35,151,494</u></u>

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Annual Principal Requirements

Annual debt service requirements to maturity for bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2011	\$ 568,441	\$ 1,697,865
2012	7,915,529	1,476,228
2013	667,317	1,441,883
2014	697,786	1,405,354
2015	744,195	1,366,991
2016-2020	3,789,172	6,192,560
2021-2025	4,052,719	5,124,179
2026-2030	3,373,631	3,900,948
2031-2035	2,245,257	3,250,638
2036-2040	2,985,686	2,578,561
2041-2045	3,969,954	1,682,628
2046-2050	3,785,345	546,935
2051-2055	356,462	13,449
Total	<u><u>\$ 35,151,494</u></u>	<u><u>\$ 30,678,219</u></u>

Annual debt service requirements to maturity for notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2011	\$ 1,711,996	\$ 557,212
2012	1,553,056	467,386
2013	1,009,398	453,062
2014	786,284	409,180
2015	571,767	322,762
2016-2020	2,080,774	1,499,980
2021-2025	3,956,254	593,832
Total	<u><u>\$ 11,669,529</u></u>	<u><u>\$ 4,303,414</u></u>

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NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Annual Principal Requirements (continued)

The annual principal requirements of the component units' long-term debt are as follows:

	<u>Principal</u>
Year ending December 31, 2009:	
2010	\$ 986,727
2011	9,012,019
2012	1,464,063
2013	963,982
2014	625,848
Thereafter	<u>55,295,910</u>
Total	<u><u>\$ 68,348,549</u></u>

Changes in Short-Term and Long-Term Liabilities

The enterprise fund's long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 35,688,144	\$ -	\$ 536,650	\$ 35,151,494	\$ 568,441
Notes payable - long-term	12,487,733	868,330	2,131,534	11,224,529	1,266,996
Notes payable - short-term	445,000	-	-	445,000	445,000
Public housing loans	750,172	-	750,172	-	-
Total	<u>\$ 49,371,049</u>	<u>\$ 868,330</u>	<u>\$ 3,418,356</u>	<u>\$ 46,821,023</u>	<u>\$ 2,280,437</u>

The component units' long-term liability activity for year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component unit debt	<u>\$ 46,075,930</u>	<u>\$ 23,235,208</u>	<u>\$ 962,589</u>	<u>\$ 68,348,549</u>	<u>\$ 986,727</u>

NOTE 6 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$ 1,129,193</u>	<u>\$ 528,112</u>	<u>\$ 521,391</u>	<u>\$ 1,135,914</u>	<u>\$ 524,735</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTE 7 – TAX CREDIT LIMITED PARTNERSHIPS

The tax credit program is the result of Federal legislation that allows investors certain incentives for investing in low-income housing. Under terms of the federal tax code and extended use agreements with the State of Virginia, the buildings must continue to serve the targeted population for 30 years; after 15 years the Authority has the option to purchase the property from the partnership.

Tax Credit Limited Partnerships are created to finance and own affordable housing. The Authority acts as Managing General Partner of each partnership. Although each tax credit limited partnership is structured differently, they are generally financed via loans to the partnership, contributions of equity by the general and limited partners, and other sources. In some transactions, the Authority issues bonds and loans the proceeds to the tax credit limited partnership. Tax-exempt bond issuances are secured by the underlying partnership real estate and, in some cases, by the general revenues of the Authority. The Authority may receive grant funds or other loans to assist in purchasing the properties and in preserving affordability within the projects.

NOTE 8 – CONDUIT DEBT

The Authority is empowered by the Commonwealth of Virginia to issue tax-exempt bonds on behalf of qualified businesses to develop or rehabilitate low income housing within the County. Principal and interest on the tax-exempt bonds is paid entirely by the owners of the properties, which have entered into binding contracts to develop or rehabilitate the subject property. The terms of the tax-exempt bonds stipulate that neither the Authority nor the County guarantee the repayment of principal and interest to the bondholders. The bondholders' sole remedy in the event of default on the tax-exempt bonds is the subject property and third-party beneficiaries. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the cumulative total of bonds outstanding under the Authority's name was approximately \$78,500,084.

From 1996 through 2004, the FCRHA issued a total of \$26,290,000 of lease revenue bonds for the purpose of financing the construction, renovation, and expansion of Mott Community Center, and Gum Springs Community Center, Baileys Community Center, the construction of Herndon Harbor II Adult Day Care Center, and Gum Springs Glen Head Start facility for child care and James Lee Community Center. In March 2010, the Economic Development Authority issued \$43,390,000 of lease revenue bonds to current refund and advance refund for Mott Community Center, Gum Springs Community Center, Baileys Community Center, and Herndon Harbor II Adult Day Care Center. As of June 30, 2010, the balance of the Gum Springs Glen Head Start facility for child care was \$1,864,149. In June 2005, the FCRHA issued bonds in the amount of \$8,105,000 to finance the construction of the Herndon Harbor House Senior Center. As of June 30, 2010, the outstanding principal balance of this bond was \$4,050,000. In July 2006, the FCRHA issued \$8,065,000 of lease revenue bonds to finance the construction of the Braddock Glen Adult Day Health Care Center and Southgate Neighborhood Community Center. As of June 30, 2010, the outstanding principal balance of this bond was \$3,555,000. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on these bonds, the related transactions, including the liability for these bonds, have been recorded in the County's financial statements and not on those of the FCRHA.

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NOTE 8 – CONDUIT DEBT (CONTINUED)

In addition, in March 1997, the Authority facilitated a \$345,000 Federal HOME loan between the County and the Tavenner Lane Limited Partnership. Funds paid by Tavenner are deposited directly into the County's bank account. Accordingly, the loan is not reported as a receivable in the accompanying financial statements. At December 31, 2009, the outstanding balance of the loan was \$262,679.

On February 16, 2006, the Authority issued a \$40,600,000 bond anticipation note (BAN) to partially finance the purchase of a multi-family rental housing complex as part of the County's affordable housing initiative. The note matured on February 15, 2007, and was repaid through the issuance of another note and funding available in the County's Penny for Affordable Housing capital projects fund. On February 13, 2007, the Authority issued the \$40,465,000 refunding BAN. The note matured on February 12, 2008, and was repaid through the issuance of a long-term note and funding available in the County's Penny for Affordable Housing capital projects fund. In February 2008, the Authority issued a \$37,615,000 refunding BAN. The long-term note matures on March 1, 2013. The note may be redeemed prior to maturity.

On November 28, 2007, the FCRHA issued a \$105,485,000 bond anticipation note to finance a portion of the purchase price of a multi-family rental housing property as part of the County's affordable housing initiative. The note matured on October 9, 2008, and was repaid through the issuance of another note and funding available in the County's Penny for Affordable Housing capital projects fund. On October 6, 2008, the FCRHA issued the \$104,105,000 refunding bond anticipation note. The note bore interest at 2.44 percent and matured on October 1, 2009 and was repaid through the issuance of revenue bonds and refunding available in the County's Penny for Affordable Housing capital project fund. On August 20, 2009, the FCHRA issued \$94,950,000 of lease revenue bonds to repay a portion of an outstanding series 2008B bond anticipation note. The Bond bears an average interest rate of 4.53 percent and matures on October 1, 2039. As the County is responsible, under the related documents and subject to appropriation, to pay the principal and interest on the note at maturity, the related transactions, including the liability for the note, have been recorded in the County's financial statements and not in those of the FCRHA. The note is not a general obligation debt of the County, and the full faith and credit of the County is not pledged to the note.

NOTE 9 – CONTINGENCIES

The Authority, as the general partner of the tax credit limited partnerships reported as discretely presented component units, is responsible for ensuring that the partnerships maintain the properties as qualified low income housing projects for a period of 15 years (the tax credit compliance period). In the event that the qualified status of the properties is not maintained for the full period of 15 years, the Authority is contingently liable for the payment of certain special distributions to the limited partners. The amount of these distributions, if any, is to be determined using a formula based on the amount of tax credits that are disallowed. The maximum amount of this distribution is not to exceed the amount contributed by the limited partners to the partnership, plus any penalties and interest costs incurred as a result of the disqualification.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTE 9 – CONTINGENCIES (CONTINUED)

The Authority originated various deferred loans to the limited partnerships to help build, acquire or rehabilitate properties. The funding source for these loans include the federal Community Development Block Grant program, HOME program, and other County or FCRHA funds. The loans, along with accrued interest, are due and payable to the FCRHA well beyond the tax compliance period, year sixteen, of the partnerships. As a result, the loans are anticipated to be defeased at the end of the tax compliance period, as the partnership conveys to the Authority, as General Partner, the non-cash, market value of the property for the Authority's use.

In addition, on August 7, 2000, the Authority entered into a guaranty agreement with SunTrust Community Development Corporation (SunTrust) in order to induce SunTrust to make a loan of \$400,000 to The Green Limited Partnership. The guarantee is for the balance of the loan, which was \$354,708 as of December 31, 2009. In addition, SunTrust has collateralized their loan with the first deed of trust on this property.

The Authority receives grant funds, principally from the federal government, for various programs. Certain expenses of these funds are subject to audit by the grantor and the reporting entity is contingently liable to refund amounts received in excess of allowable expenses. The management of the Authority believes that any possible disallowed expenses arising from such an audit, if any, would not have a material adverse impact on the Authority's net assets as of June 30, 2010.

NOTE 10 – RISK MANAGEMENT

The FCRHA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and citizens; and natural disasters. For all of these risks, the FCRHA participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claim settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

NOTE 11 – RETIREMENT PLANS

Employees of the Authority participate in the Fairfax County Employees' Retirement System (System), which covers substantially all County employees who are not members of the Virginia Retirement System or other County-funded retirement plans. Employee contributions to the System for the year ended June 30, 2010, are either 4.0% or 5.33% of salary, depending on the plan selected by the employee. The County funds the remaining portion required to meet the actuarially determined funding requirements. Data concerning the amounts contributed by the County for employees of the Authority, accumulated pension benefit liability, and net assets specifically applicable to employees of the Authority are not available. Information concerning the System as a whole is available in the County's June 30, 2010 Comprehensive Annual Financial Report.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
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NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County which the Project's employees participate. The County provides medical/dental, vision, and life insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from \$30 per month to \$220 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at \$100 per month unless their years of service entitle them to receive a higher monthly subsidy.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability.

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of the Authority are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2010 Comprehensive Annual Financial Report.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Authority is a General Partner and holds 0.01% to 1% interest in each of the following limited partnerships (see note 4). Summarized partnership information for the year ended December 31, 2009 is as follows:

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)

	Castellani Meadows	Gum Springs Glen	Herndon Harbor House	Herndon Harbor House II	Morris Glen	FCRHA HCDC Two	FCRHA HCDC One	Tavenner Lane	Olley Glen	Cedar Ridge	The Green	Total
ASSETS												
Cash, restricted cash and investments	\$ 289,893	\$ 417,701	\$ 1,160,890	\$ 509,447	\$ 267,198	\$ 1,569,395	\$ 1,305,608	\$ 817,715	\$ 16,689,475	\$ 1,987,391	\$ 1,310,054	\$ 26,324,767
Accounts receivable, prepaid expenses, and other assets	6,919	23,477	5,151	105,614	7,311	26,360	124,880	8,036	-	795,605	28,458	1,131,811
Investments in real estate - net	2,061,032	5,007,099	4,123,538	5,096,844	2,545,666	6,195,023	7,715,173	2,421,982	10,969,345	17,893,197	3,067,012	67,095,911
TOTAL	\$ 2,357,844	\$ 5,448,277	\$ 5,289,579	\$ 5,711,905	\$ 2,820,175	\$ 7,790,778	\$ 9,145,661	\$ 3,247,733	\$ 27,658,820	\$ 20,676,193	\$ 4,405,524	\$ 94,552,489
LIABILITIES AND PARTNERS' CAPITAL												
Other liabilities	\$ 887,181	\$ 128,774	\$ 40,260	\$ 669,076	\$ 57,471	\$ 1,054,047	\$ 823,792	\$ 45,142	\$ 4,344,826	\$ 216,205	\$ 236,092	\$ 8,502,866
Liabilities related to investment in real estate	1,953,701	3,033,621	4,950,644	4,766,392	2,778,380	4,573,671	4,833,112	3,292,922	23,313,794	16,218,032	2,143,259	71,857,528
PARTNERS' CAPITAL (DEFICIT)	(483,038)	2,285,882	298,675	276,437	(15,676)	2,163,060	3,488,757	(90,331)	200	4,241,956	2,026,173	14,192,095
TOTAL	\$ 2,357,844	\$ 5,448,277	\$ 5,289,579	\$ 5,711,905	\$ 2,820,175	\$ 7,790,778	\$ 9,145,661	\$ 3,247,733	\$ 27,658,820	\$ 20,676,193	\$ 4,405,524	\$ 94,552,489
INCOME												
Rental	\$ 227,285	\$ 526,444	\$ 518,301	\$ 546,837	\$ 488,975	\$ 1,289,589	\$ 1,536,020	\$ 196,454	\$ -	\$ 2,310,506	\$ 523,397	\$ 8,163,808
Other	21,272	65,594	45,012	42,954	29,860	278,473	341,777	56,908	-	254,218	297,191	1,433,259
Total income	248,557	592,038	563,313	589,791	518,835	1,568,062	1,877,797	253,362	-	2,564,724	820,588	9,597,067
EXPENSES												
Property	173,962	483,783	406,718	371,723	385,909	1,368,523	1,587,638	154,729	-	1,350,557	621,848	6,905,390
Property management	11,840	26,700	26,700	26,000	26,707	79,871	76,773	10,184	-	82,264	37,204	404,243
Legal and accounting	15,734	12,300	16,149	5,640	13,567	23,717	19,217	9,817	-	19,717	13,844	149,702
Interest expense	118,531	135,117	146,991	165,122	92,980	95,581	101,051	159,969	-	919,836	39,997	1,975,175
Depreciation and amortization	105,225	149,726	145,568	189,011	206,234	338,049	475,477	75,954	-	512,369	133,074	2,330,687
Total expenses	425,292	807,626	742,126	757,496	725,397	1,905,741	2,260,156	410,653	-	2,884,743	845,967	11,765,197
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION	\$ (176,735)	\$ (215,588)	\$ (178,813)	\$ (167,705)	\$ (206,562)	\$ (337,679)	\$ (382,359)	\$ (157,291)	\$ -	\$ (320,019)	\$ (25,379)	\$ (2,168,130)

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT AND CERTIFICATION OF PROGRAM COSTS –
CAPITAL FUND PROGRAM
June 30, 2010

2004 Capital Fund Program Grant	<u>VA39P01950104</u>
Funds approved	\$ 1,677,157
Funds expended	<u>1,677,157</u>
Excess of funds approved	<u>\$ -</u>
 Funds advanced	 \$ 1,677,157
Funds expended	<u>1,677,157</u>
Excess of funds advanced	<u>\$ -</u>

2005 Capital Fund Program Grant	<u>VA39P01950105</u>
Funds approved	\$ 1,650,048
Funds expended	<u>1,650,048</u>
Excess of funds approved	<u>\$ -</u>
 Funds advanced	 \$ 1,650,048
Funds expended	<u>1,650,048</u>
Excess of funds advanced	<u>\$ -</u>

1. The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval are in agreement with the Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
ENTITY-WIDE BALANCE SHEET
June 30, 2010

Line Item #	Accounts Description	Project Totals	Housing Choice Vouchers	Business Activities	Veteran Affairs Supportive Housing	Resident Opportunity and Supportive Services	Component Units	COCC	Elimination	Total
111	Cash - unrestricted	\$ 6,356,936	\$ 1,634,113	\$ 31,613,174	\$ -	\$ -	\$ 4,878,377	\$ 807,712	\$ (36,306)	\$ 45,254,006
113	Cash - other restricted	-	1,953,091	7,781,961	105,332	-	20,881,278	-	-	30,721,662
114	Cash - tenant security deposits	422,423	-	782,530	-	-	468,234	-	31,663	1,704,850
115	Cash - restricted for payment of current liability	-	-	990,009	-	-	-	-	-	990,009
100	Total cash	6,779,359	3,587,204	41,167,674	105,332	-	26,227,889	807,712	(4,643)	78,670,527
121	Accounts receivable - PHA projects	-	220,828	-	-	-	-	-	-	220,828
122	Accounts receivable - HUD other projects	256,500	-	-	-	-	-	-	-	256,500
124	Account receivable - other government	-	-	-	-	47,981	-	-	-	47,981
125	Account receivable - miscellaneous	-	271,509	194,326	-	-	215,876	-	-	681,711
126	Accounts receivable - tenants	68,297	-	267,700	-	-	87,148	-	-	423,145
126.1	Allowance for doubtful accounts - tenants	(20,231)	-	(80,798)	-	-	(32,129)	-	-	(133,158)
127	Notes, loans, & mortgages receivable - current	-	-	399,955	-	-	-	-	(26,973)	372,982
128	Fraud recovery	-	118,574	-	-	-	-	-	-	118,574
128.1	Allowance for doubtful accounts - fraud	-	(56,934)	-	-	-	-	-	-	(56,934)
129	Accrued interest receivable	6,771	4,200	139,179	-	-	-	-	-	150,150
120	Total receivables, net of allowance for doubtful accounts	311,337	558,177	920,362	-	47,981	270,895	-	(26,973)	2,081,779
131	Investments - unrestricted	-	-	4,780,000	-	-	-	-	-	4,780,000
132	Investments - restricted	-	-	2,035,000	-	-	-	-	-	2,035,000
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	3,388,683	102,222	-	-	19,736	-	-	3,510,641
145	Assets held for sale	-	-	1,498,646	-	-	-	-	-	1,498,646
150	Total current assets	7,090,696	7,534,064	50,503,904	105,332	47,981	26,518,520	807,712	(31,616)	92,576,593
161	Land	10,105,677	-	20,339,106	-	-	8,755,354	-	-	39,200,137
162	Buildings	69,988,950	-	58,370,265	-	-	72,172,344	363,439	-	200,894,998
163	Furniture, equipment and machinery - dwellings	269,519	-	116,387	-	-	998,021	149,095	-	1,533,022
164	Furniture, equipment and machinery - administration	-	-	-	-	-	-	37,657	-	37,657
165	Leasehold improvements	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(47,030,044)	-	(28,507,724)	-	-	(25,799,153)	(227,601)	-	(101,564,522)
167	Construction in progress	834,097	-	45,450	-	-	10,969,345	-	-	11,848,892
168	Infrastructure	-	-	-	-	-	-	-	-	-
160	Total receivables, net of allowance for doubtful accounts	34,168,199	-	50,363,484	-	-	67,095,911	322,590	-	151,950,184
171	Notes, loans, & mortgages receivable – non-current	-	-	33,267,545	-	-	-	-	(478,164)	32,789,381
172	Notes, Loans, & mortgages receivable – non-current - past due	-	-	-	-	-	-	-	-	-
172	Grants receivable – non-current	-	-	-	-	-	-	-	-	-
173	Grants receivable – non-current	-	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	938,058	-	-	938,058
176	Investment in joint venture	-	-	-	-	-	-	-	-	-
180	Total non-current assets	34,168,199	-	83,631,029	-	-	68,033,969	322,590	(478,164)	185,677,623
190	TOTAL ASSETS	\$ 41,258,895	\$ 7,534,064	\$ 134,134,933	\$ 105,332	\$ 47,981	\$ 94,552,489	\$ 1,130,302	\$ (509,780)	\$ 278,254,216

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
ENTITY-WIDE BALANCE SHEET
June 30, 2010

Line Item #	Accounts Description	Project Totals	Housing Choice Vouchers	Business Activities	Veteran Affairs Supportive Housing	Resident Opportunity and Supportive Services	Component Units	COCC	Elimination	Total
312	Accounts payable <= 90 days	\$ 214,928	\$ 63,821	\$ 644,510	\$ -	\$ -	\$ 1,903,856	\$ 10,919	\$ -	\$ 2,838,034
321	Accrued wage/payroll taxes payable	146,164	194,518	274,592	-	19,763	-	63,013	-	698,050
322	Accrued compensated absences - current portion	27,043	92,395	212,672	-	5,108	-	189,132	-	526,350
325	Accrued interest payable	-	-	175,097	-	-	-	-	-	175,097
332	Accounts payable - PHA projects	-	403	-	-	-	-	-	-	403
333	Accounts payable - other government	-	-	78,515	-	9,599	6,012,432	59,791	-	6,160,337
341	Tenant security deposits	422,423	-	782,530	-	-	468,234	-	-	1,673,187
342	Deferred revenue	178,134	345,815	280,218	-	-	77,704	-	-	881,871
343	Current portion of long-term debt - capital projects/ mortgage revenue bonds	-	-	1,875,776	-	-	986,727	-	(509,780)	2,352,723
344	Current portion of long-term debt - operating borrowings	-	-	914,441	-	-	-	-	-	914,441
345	Other current liabilities	38,286	260,374	1,021,148	-	-	-	-	-	1,319,808
346	Accrued liabilities - other	86,278	23,641	620,999	-	-	-	94,741	-	825,659
347	Inter program - due to	-	-	-	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-
310	Total current liabilities	<u>1,113,256</u>	<u>980,967</u>	<u>6,880,498</u>	<u>-</u>	<u>34,470</u>	<u>9,448,953</u>	<u>417,596</u>	<u>(509,780)</u>	<u>18,365,960</u>
351	Capital projects/ mortgage revenue bonds	-	-	14,658,312	-	-	67,361,822	-	-	82,020,134
352	Long-term debt, net of current - operating borrowings	-	-	29,882,274	-	-	-	-	-	29,882,274
353	Non-current liabilities - other	-	-	-	-	-	3,549,619	-	-	3,549,619
354	Accrued compensated absences- non-current	8,294	227,837	235,314	-	13,511	-	126,223	-	611,179
355	Loan liability - non-current	-	-	-	-	-	-	-	-	-
356	FASB 5 liabilities	-	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liability	-	-	-	-	-	-	-	-	-
350	Total non-current liabilities	<u>8,294</u>	<u>227,837</u>	<u>44,775,900</u>	<u>-</u>	<u>13,511</u>	<u>70,911,441</u>	<u>126,223</u>	<u>-</u>	<u>116,063,206</u>
300	Total liabilities	<u>1,121,550</u>	<u>1,208,804</u>	<u>51,656,398</u>	<u>-</u>	<u>47,981</u>	<u>80,360,394</u>	<u>543,819</u>	<u>(509,780)</u>	<u>134,429,166</u>
508.1	Invested in capital assets, net of related debt	34,168,198	-	33,829,396	-	-	(1,252,638)	322,591	-	67,067,547
511.1	Restricted net assets	-	4,909,437	10,806,970	105,332	-	20,881,278	-	-	36,703,017
512.1	Unrestricted net assets	<u>5,969,147</u>	<u>1,415,823</u>	<u>37,842,169</u>	<u>-</u>	<u>-</u>	<u>(5,436,545)</u>	<u>263,892</u>	<u>-</u>	<u>40,054,486</u>
513	Total equity/net assets	<u>40,137,345</u>	<u>6,325,260</u>	<u>82,478,535</u>	<u>105,332</u>	<u>-</u>	<u>14,192,095</u>	<u>586,483</u>	<u>-</u>	<u>143,825,050</u>
600	Total liabilities and equity/net assets	<u>\$ 41,258,895</u>	<u>\$ 7,534,064</u>	<u>\$ 134,134,933</u>	<u>\$ 105,332</u>	<u>\$ 47,981</u>	<u>\$ 94,552,489</u>	<u>\$ 1,130,302</u>	<u>\$ (509,780)</u>	<u>\$ 278,254,216</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
ENTITY-WIDE REVENUES AND EXPENSES
June 30, 2010

Line Item #	Accounts Description	Project Totals	Housing Choice Vouchers	Business Activities	Veteran Affairs Supportive Housing	Resident Opportunity and Supportive Services	Component Units	COCC	Elimination	Total
70300	Net tenant rental revenue	\$ 5,071,148	\$ -	\$ 20,159,333	\$ -	\$ -	\$ 8,163,808	\$ -	\$ -	\$ 33,394,289
70400	Tenant revenue - other	287,176	-	341,157	-	-	-	-	-	628,333
70500	Total tenant revenue	5,358,324	-	20,500,490	-	-	8,163,808	-	-	34,022,622
70600	HUD PHA operating grants	4,016,204	44,578,088	-	255,846	179,357	235,427	-	(235,427)	49,029,495
70610	Capital grants	3,225,128	-	-	-	-	-	-	-	3,225,128
70710	Management fee	-	-	-	-	-	-	1,142,722	(1,142,722)	-
70720	Asset management fee	-	-	-	-	-	-	120,360	(120,360)	-
70730	Bookkeeping fee	-	-	-	-	-	-	88,883	(88,883)	-
70740	Front line service fee	-	-	-	-	-	-	83,825	(83,825)	-
70700	Total fee revenue	-	-	-	-	-	-	1,435,790	(1,435,790)	-
70800	Other governmental grants	-	-	2,740,388	-	-	-	-	(59,746)	2,680,642
71100	Investment income - unrestricted	38,177	3,507	229,102	-	-	15,740	-	-	286,526
71400	Fraud recovery	-	28,778	-	-	-	-	-	-	28,778
71500	Other revenue	750,172	2,146,380	9,106,503	-	-	1,178,943	-	(4,200,328)	8,981,670
71600	Gain or loss on sale of capital assets	-	-	(170,627)	-	-	-	-	-	(170,627)
72000	Investment income - restricted	-	12,347	55,713	500	-	-	-	-	68,560
70000	Total revenue	13,388,005	46,769,100	32,461,569	256,346	179,357	9,593,918	1,435,790	(5,931,291)	98,152,794
91100	Administrative salaries	39,821	2,118,880	6,169,049	-	83,829	763,275	311,521	-	9,486,375
91200	Auditing fees	611	53,480	53,654	-	-	121,527	53,480	-	282,752
91300	Management fee	1,142,722	-	-	-	65,382	-	-	(1,142,722)	65,382
91310	Bookkeeping fee	88,883	-	-	-	-	-	-	(88,883)	-
91400	Advertising and marketing	313	-	7,918	-	-	-	-	-	8,231
91500	Employee benefit contributions - administrative	2,086	579,639	1,466,524	-	29,971	-	68,517	-	2,146,737
91600	Office expenses	521	11,327	2,625,913	-	-	-	170,521	-	2,808,282
91700	Legal expense	25,931	4,523	-	-	-	28,453	8,513	-	67,420
91800	Travel	-	1,951	-	-	-	-	9,708	-	11,659
91810	Allocated overhead	-	-	-	-	-	-	-	-	-
91900	Other	241,538	365,399	-	-	175	976,513	279,387	(235,427)	1,627,585
91000	Total operating - administrative	1,542,426	3,135,199	10,323,058	-	179,357	1,889,768	901,647	(1,467,032)	16,504,423
92000	Asset management fee	120,360	-	-	-	-	-	-	(120,360)	-
92200	Relocation costs	42,701	-	-	-	-	-	-	-	42,701
92400	Tenant services - other	52,797	-	-	-	-	-	-	-	52,797
92500	Total tenant services	95,498	-	-	-	-	-	-	-	95,498
93100	Water	410,521	-	296,213	-	-	372,050	-	-	1,078,784
93200	Electricity	845,567	-	873,695	-	-	417,194	-	-	2,136,456
93300	Gas	360,079	-	826,053	-	-	376,976	-	-	1,563,108
93400	Fuel	53,034	-	-	-	-	-	-	-	53,034
93800	Other utilities expense	143,251	-	-	-	-	-	-	-	143,251
93000	Total utilities	1,812,452	-	1,995,961	-	-	1,166,220	-	-	4,974,633
94100	Ordinary maintenance and operations - labor	2,218,144	-	1,001,295	-	-	732,095	350,246	(83,825)	4,217,955
94200	Ordinary maintenance and operations - materials and other	301,309	-	8,112,566	-	-	448,509	5,196	(3,902,344)	4,965,236
94300	Ordinary maintenance and operations contracts	2,105,004	-	598,264	-	-	1,524,567	8,262	-	4,236,097
94500	Employee benefit contribution - ordinary maintenance	522,724	-	-	-	-	446,487	95,254	-	1,064,465
94000	Total maintenance	5,147,181	-	9,712,125	-	-	3,151,658	458,958	(3,986,169)	14,483,753

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
ENTITY-WIDE REVENUES AND EXPENSES
June 30, 2010

Line Item #	Accounts Description	Project Totals	Housing Choice Vouchers	Business Activities	Veteran Affairs Supportive Housing	Resident Opportunity and Supportive Services	Component Units	COCC	Elimination	Total
EXPENSES (Continued)										
96100	Total insurance premiums	\$ -	\$ -	\$ 3,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,518
96200	Other general expenses	(1,880)	-	114,412	-	-	570,141	1,880	(357,730)	326,823
96210	Compensated absences	37,810	13,481	-	-	-	-	(35,656)	-	15,635
96300	Payments in lieu of taxes	-	-	-	-	-	653,044	-	-	653,044
96400	Bad debt - tenant rents	35,646	56,934	66,479	-	-	15,747	-	-	174,806
96000	Total other general expenses	71,576	70,415	180,891	-	-	1,238,932	(33,776)	(357,730)	1,170,308
96700	Total interest expense and amortization cost	(33,007)	-	992,419	-	-	1,984,783	-	-	2,944,195
96900	Total operating expenses	8,756,486	3,205,614	23,207,972	-	179,357	9,431,361	1,326,829	(5,810,931)	40,176,328
97000	Excess revenue over operating expenses	4,631,519	43,563,486	9,253,597	256,346	-	162,557	108,961	(120,360)	57,856,106
97300	Housing assistance payments	-	39,112,461	-	151,014	-	-	-	-	39,263,475
97350	HAP portability - in	-	2,012,810	-	-	-	-	-	-	2,012,810
97400	Depreciation expense	1,777,580	-	1,900,549	-	-	2,330,687	14,496	-	6,023,312
97500	Fraud losses	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-
90000	Total expenses	10,534,066	44,330,885	25,108,521	151,014	179,357	11,762,048	1,341,325	(5,931,291)	87,475,925
10010	Operating transfer in	-	-	-	-	-	200	-	-	200
10020	Operating transfer out	-	-	-	-	-	-	-	-	-
10030	Operating transfers from/to primary government	-	-	(3,400,000)	-	-	-	-	-	(3,400,000)
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	(3,400,000)	-	-	200	-	-	(3,399,800)
10000	Excess (deficiency) of revenue over (under) expenses	\$ 2,853,939	\$ 2,438,215	\$ 3,953,048	\$ 105,332	\$ -	\$ (2,167,930)	\$ 94,465	\$ -	\$ 7,277,069
Memo Account Information										
11020	Required annual debt principal payments	\$ -	\$ -	\$ 2,432,673	\$ -	\$ -	\$ 972,358	\$ -	\$ -	\$ 3,405,031
11030	Beginning equity	37,292,021	3,887,045	78,525,487	-	-	16,360,025	483,403	-	136,547,981
Prior period adjustments, equity transfers,										
11040	and correction of errors	(8,615)	-	-	-	-	-	8,615	-	-
11170	Administrative fee equity	-	1,415,823	-	-	-	-	-	-	1,415,823
11180	Housing assistance payments equity	-	4,909,437	-	-	-	-	-	-	4,909,437
11190	Unit months available	12,780	40,508	20,508	315	-	11,148	-	-	85,259
11210	Unit months leased	12,648	38,436	19,452	153	-	10,896	-	-	81,585
11270	Excess cash	5,362,839	-	-	-	-	-	-	-	5,362,839
11610	Land purchases	3,216,513	-	-	-	-	-	-	-	3,216,513
11620	Building purchases	8,615	-	-	-	-	-	-	-	8,615
11640	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-	-	-

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
PROJECT BALANCE SHEET
June 30, 2010

Line	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 008	AMP 009	AMP 010	AMP 011	Project
CURRENT ASSETS													
111	Cash - unrestricted	\$ 545,778	\$ 746,095	\$ 724,567	\$ 807,367	\$ 892,963	\$ 667,407	\$ 958,443	\$ 447,224	\$ 567,092	\$ -	\$ -	\$ 6,356,936
114	Cash - tenant security deposits	43,631	30,106	36,911	58,619	45,885	68,997	50,009	38,735	49,530	-	-	422,423
100	Total cash	<u>589,409</u>	<u>776,201</u>	<u>761,478</u>	<u>865,986</u>	<u>938,848</u>	<u>736,404</u>	<u>1,008,452</u>	<u>485,959</u>	<u>616,622</u>	<u>-</u>	<u>-</u>	<u>6,779,359</u>
122	Accounts receivable - HUD other projects	2,404	-	-	93,129	86,570	-	-	50,842	9,450	14,105	-	256,500
126	Accounts receivable - tenants	6,252	4,599	6,774	1,403	8,703	1,412	13,057	13,255	12,842	-	-	68,297
126.1	Allowance for doubtful accounts - tenants	(1,756)	(1,227)	(812)	(12)	(1,817)	(41)	(6,394)	(4,286)	(3,886)	-	-	(20,231)
129	Accrued interest receivable	308	453	648	380	896	556	2,379	497	654	-	-	6,771
120	Total receivables, net of allowance for doubtful accounts	<u>7,208</u>	<u>3,825</u>	<u>6,610</u>	<u>94,900</u>	<u>94,352</u>	<u>1,927</u>	<u>9,042</u>	<u>60,308</u>	<u>19,060</u>	<u>14,105</u>	<u>-</u>	<u>311,337</u>
150	Total current assets	<u>596,617</u>	<u>780,026</u>	<u>768,088</u>	<u>960,886</u>	<u>1,033,200</u>	<u>738,331</u>	<u>1,017,494</u>	<u>546,267</u>	<u>635,682</u>	<u>14,105</u>	<u>-</u>	<u>7,090,696</u>
NON-CURRENT ASSETS													
161	Land	1,217,129	565,620	483,273	1,447,046	1,572,805	2,753,613	220,834	1,045,616	799,741	-	-	10,105,677
162	Buildings	6,751,032	12,120,713	12,408,705	7,557,920	8,070,392	6,284,029	3,485,221	2,958,561	10,352,377	-	-	69,988,950
163	Furniture, equipment and machinery - dwellings	-	241,519	-	-	-	-	-	-	28,000	-	-	269,519
166	Accumulated depreciation	(3,923,653)	(10,529,525)	(7,984,924)	(4,695,468)	(6,226,862)	(3,710,955)	(1,814,712)	(2,153,765)	(5,990,180)	-	-	(47,030,044)
167	Construction in progress	2,404	-	123,030	82,313	171,159	138,564	-	105,654	210,973	-	-	834,097
160	Total capital assets, net of accumulated depreciation	<u>4,046,912</u>	<u>2,398,327</u>	<u>5,030,084</u>	<u>4,391,811</u>	<u>3,587,494</u>	<u>5,465,251</u>	<u>1,891,343</u>	<u>1,956,066</u>	<u>5,400,911</u>	<u>-</u>	<u>-</u>	<u>34,168,199</u>
180	Total non-current assets	<u>4,046,912</u>	<u>2,398,327</u>	<u>5,030,084</u>	<u>4,391,811</u>	<u>3,587,494</u>	<u>5,465,251</u>	<u>1,891,343</u>	<u>1,956,066</u>	<u>5,400,911</u>	<u>-</u>	<u>-</u>	<u>34,168,199</u>
190	TOTAL ASSETS	<u>\$ 4,643,529</u>	<u>\$ 3,178,353</u>	<u>\$ 5,798,172</u>	<u>\$ 5,352,697</u>	<u>\$ 4,620,694</u>	<u>\$ 6,203,582</u>	<u>\$ 2,908,837</u>	<u>\$ 2,502,333</u>	<u>\$ 6,036,593</u>	<u>\$ 14,105</u>	<u>\$ -</u>	<u>\$ 41,258,895</u>
CURRENT LIABILITIES													
312	Accounts payable <= 90 days	\$ 2,623	\$ 44,786	\$ 16,420	\$ 38,997	\$ 53,465	\$ 18,644	\$ 4,369	\$ 30,680	\$ 4,944	\$ -	\$ -	\$ 214,928
321	Accrued wage/payroll taxes payable	1,724	1,325	316	51,320	75,446	10,873	3,088	1,647	425	-	-	146,164
322	Accrued compensated absences - current portion	-	-	-	27,043	-	-	-	-	-	-	-	27,043
341	Tenant security deposits	43,631	30,106	36,911	58,621	45,885	68,995	50,009	38,735	49,530	-	-	422,423
342	Deferred revenue	18,572	14,101	20,064	24,059	32,638	20,669	15,879	12,200	19,952	-	-	178,134
345	Other current liabilities	-	-	38,286	-	-	-	-	-	-	-	-	38,286
346	Accrued liabilities - other	4,801	1,772	-	17,470	3,504	2,175	2,785	27,783	11,883	14,105	-	86,278
310	Total current liabilities	<u>71,351</u>	<u>92,090</u>	<u>111,997</u>	<u>217,510</u>	<u>210,938</u>	<u>121,356</u>	<u>76,130</u>	<u>111,045</u>	<u>86,734</u>	<u>14,105</u>	<u>-</u>	<u>1,113,256</u>
NONCURRENT LIABILITIES													
354	Accrued compensated absences - non-current	-	-	-	8,294	-	-	-	-	-	-	-	8,294
350	Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,294</u>
300	Total liabilities	<u>71,351</u>	<u>92,090</u>	<u>111,997</u>	<u>225,804</u>	<u>210,938</u>	<u>121,356</u>	<u>76,130</u>	<u>111,045</u>	<u>86,734</u>	<u>14,105</u>	<u>-</u>	<u>1,121,550</u>
NET ASSETS													
508.1	Invested in capital assets, net of related debt	4,046,912	2,398,328	5,030,084	4,391,810	3,587,494	5,465,250	1,891,343	1,956,066	5,400,911	-	-	34,168,198
512.1	Unrestricted net assets	525,266	687,935	656,091	735,083	822,262	616,976	941,364	435,222	548,948	-	-	5,969,147
513	Total equity/net assets	<u>4,572,178</u>	<u>3,086,263</u>	<u>5,686,175</u>	<u>5,126,893</u>	<u>4,409,756</u>	<u>6,082,226</u>	<u>2,832,707</u>	<u>2,391,288</u>	<u>5,949,859</u>	<u>-</u>	<u>-</u>	<u>40,137,345</u>
600	Total liabilities and equity/net assets	<u>\$ 4,643,529</u>	<u>\$ 3,178,353</u>	<u>\$ 5,798,172</u>	<u>\$ 5,352,697</u>	<u>\$ 4,620,694</u>	<u>\$ 6,203,582</u>	<u>\$ 2,908,837</u>	<u>\$ 2,502,333</u>	<u>\$ 6,036,593</u>	<u>\$ 14,105</u>	<u>\$ -</u>	<u>\$ 41,258,895</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
PROJECT REVENUES AND EXPENSES
June 30, 2010

Line Item													Project
#	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 008	AMP 009	AMP 010	AMP 011	Totals
REVENUE													
70300	Net tenant rental revenue	\$ 484,779	\$ 476,664	\$ 685,182	\$ 610,928	\$ 804,247	\$ 561,276	\$ 471,591	\$ 434,657	\$ 541,824	\$ -	\$ -	\$ 5,071,148
70400	Tenant revenue - other	71,176	26,591	32,535	23,547	31,937	22,117	23,627	18,959	36,687	-	-	287,176
70500	Total tenant revenue	555,955	503,255	717,717	634,475	836,184	583,393	495,218	453,616	578,511	-	-	5,358,324
70600	HUD PHA operating grants	454,264	215,102	486,601	451,132	490,803	392,268	359,996	306,831	390,660	55,484	413,063	4,016,204
706.10	Capital grants	480,966	79,523	1,012,059	289,572	100,273	284,894	266,226	105,757	605,858	-	-	3,225,128
71100	Investment income - unrestricted	4,529	3,350	4,111	4,225	6,623	4,111	3,692	3,654	3,882	-	-	38,177
71500	Other revenue	495,606	4,121	9,643	202,404	18,034	5,848	10,988	2,199	1,329	-	-	750,172
70000	Total revenue	1,991,320	805,351	2,230,131	1,581,808	1,451,917	1,270,514	1,136,120	872,057	1,580,240	55,484	413,063	13,388,005
EXPENSES													
Administrative:													
91100	Administrative salaries	5,289	6,927	8,044	2,255	4,689	8,267	1,281	3,069	-	-	-	39,821
91200	Auditing fees	-	-	-	-	-	-	-	-	611	-	-	611
91300	Management fee	138,987	64,175	183,206	116,048	151,755	125,826	104,526	108,085	150,114	-	-	1,142,722
913.10	Bookkeeping fee	10,305	7,875	9,668	9,825	15,517	9,563	8,655	8,377	9,098	-	-	88,883
91400	Advertising and marketing	-	313	-	-	-	-	-	-	-	-	-	313
91500	Employee benefit contributions - administrative	320	150	474	-	45	925	-	165	7	-	-	2,086
91600	Office expenses	64	-	-	402	55	-	-	-	-	-	-	521
91700	Legal expense	2,253	2,905	3,022	515	1,620	9,447	694	2,197	3,278	-	-	25,931
91900	Other	1,118	-	-	-	-	-	-	4,993	-	35,010	200,417	241,538
	Total administrative	158,336	82,345	204,414	129,045	173,681	154,028	115,156	126,886	163,108	35,010	200,417	1,542,426
92000	Asset management fee	14,280	10,560	12,960	13,320	20,880	12,960	11,640	11,520	12,240	-	-	120,360
Tenant services:													
92200	Relocation costs	-	-	-	-	6,499	15,714	14,113	6,375	-	-	-	42,701
92400	Other	35,000	-	418	84	53	16,606	261	375	-	-	-	52,797
	Total tenant services	35,000	-	418	84	6,552	32,320	14,374	6,750	-	-	-	95,498
Utilities:													
93100	Water	37,043	23,653	57,455	53,877	71,659	50,583	49,926	21,683	44,642	-	-	410,521
93200	Electricity	112,657	84,613	85,975	81,969	147,027	140,578	50,713	63,598	78,437	-	-	845,567
93300	Gas	13,590	11,408	77,881	63,456	27,791	9,927	61,271	30,969	63,786	-	-	360,079
93400	Fuel	6,292	4,653	5,711	5,869	9,200	5,711	5,129	5,076	5,393	-	-	53,034
93800	Other utilities expense	-	24,951	-	21,028	36,606	-	-	37,680	22,986	-	-	143,251
	Total utilities	169,582	149,278	227,022	226,199	292,283	206,799	167,039	159,006	215,244	-	-	1,812,452
Ordinary maintenance & operations:													
94100	Labor	239,298	191,981	244,132	202,900	441,935	207,103	223,831	220,075	239,773	4,965	2,151	2,218,144
94200	Materials and other	52,410	42,078	30,079	29,810	44,230	31,978	19,572	22,865	28,287	-	-	301,309
94300	Contracts	247,637	188,448	350,861	221,994	203,536	164,578	114,719	167,294	221,934	14,105	209,898	2,105,004
94500	Employee benefits contribution	64,818	44,093	55,644	41,348	109,123	43,539	52,425	53,135	56,598	1,404	597	522,724
	Total ordinary maintenance & operations	604,163	466,600	680,716	496,052	798,824	447,198	410,547	463,369	546,592	20,474	212,646	5,147,181

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
PROJECT REVENUES AND EXPENSES
June 30, 2010

Line Item													Project
#	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 008	AMP 009	AMP 010	AMP 011	Totals
	General expenses:												
96200	Other general expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,880)	\$ -	\$ -	\$ -	\$ -	\$ (1,880)
96210	Compensated absences	4,955	3,664	4,098	39,958	7,244	4,497	4,039	3,039	(33,684)	-	-	37,810
96400	Bad debt - tenant rents	3,440	4,339	4,741	9	1,912	2,400	6,102	4,390	8,313	-	-	35,646
96000	Total general expenses	8,395	8,003	8,839	39,967	9,156	6,897	8,261	7,429	(25,371)	-	-	71,576
96700	Total interest expense and amortization cost	(24,189)	-	-	(8,818)	-	-	-	-	-	-	-	(33,007)
96900	Total operating expenses	965,567	716,786	1,134,369	895,849	1,301,376	860,202	727,017	774,960	911,813	55,484	413,063	8,756,486
97000	Excess of operating revenue over operating expenses	1,025,753	88,565	1,095,762	685,959	150,541	410,312	409,103	97,097	668,427	-	-	4,631,519
97400	Depreciation expense	91,682	114,014	353,353	251,766	279,314	223,346	79,433	81,620	303,052	-	-	1,777,580
90000	Total expenses	1,057,249	830,800	1,487,722	1,147,615	1,580,690	1,083,548	806,450	856,580	1,214,865	55,484	413,063	10,534,066
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ 934,071	\$ (25,449)	\$ 742,409	\$ 434,193	\$ (128,773)	\$ 186,966	\$ 329,670	\$ 15,477	\$ 365,375	\$ -	\$ -	\$ 2,853,939
	Memo Account Information												
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	3,646,722	3,111,712	4,943,766	4,692,700	4,538,529	5,895,260	2,503,037	2,375,811	5,584,484	-	-	37,292,021
11040	Prior period adjustments, equity transfers & correction	(8,615)	-	-	-	-	-	-	-	-	-	-	(8,615)
11190	Unit months available	1,428	1,056	1,296	1,332	2,088	1,296	1,164	1,152	1,224	144	600	12,780
11210	Unit months leased	1,428	1,044	1,284	1,320	2,076	1,284	1,152	1,128	1,188	144	600	12,648
11270	Excess cash	496,549	617,559	571,166	692,026	717,000	549,816	883,795	376,056	478,490	(2,917)	(16,701)	5,362,839
11620	Building purchases	472,351	79,523	1,012,059	289,572	100,273	284,894	266,226	105,757	605,858	-	-	3,216,513
11640	Furniture & equipment - administrative purchases	8,615	-	-	-	-	-	-	-	-	-	-	8,615

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment
and Housing Authority
Fairfax, Virginia

We have audited the financial statements of the business-type activities of Fairfax County Redevelopment and Housing Authority (the Authority), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. That report recognized that we did not audit the financial statements of the discretely presented component units, which represent 100% of the total assets, revenues, and net assets of the discretely presented component units as of and for the year ended June 30, 2010. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the one rental property and the discretely presented component units, is based solely on the reports of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The component unit financial statements of Castellani Meadows, Gum Springs Glen, Herndon Harbor House, Herndon Harbor House II, Morris Glen, Tavenner Lane, FCRHA HCDC One, FCRHA HCDC Two, Cedar Ridge, The Green and FCRHA Olley Glen were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or

combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated November 19, 2010.

This report is intended solely for the information and use of management, the County Board of Supervisors, and the Authority Board of Commissioners, and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
November 19, 2010